2013

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Finally, Good News from Haiti, Foreign Policy May 3, 2013

http://hdl.handle.net/10945/48229

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Haiti is no economic success story. But that may be about to change.

BY ROBERT LOONEY | MAY 3, 2013 - 9:40 PM

Haiti has been independent for 209 years, but Haitians don't have much to show for it economically. The country is plagued by poor infrastructure, political instability and violence, an inefficient and corrupt bureaucracy, and low standards of education. These are all factors that make it increasingly vulnerable to shocks from natural disasters and now barely able to support its growing population. While there have been some moments of optimism over the years, they've usually been short-lived. Over the past decade, hurricanes, floods, a devastating earthquake, and an outbreak of cholera have repeatedly derailed an already struggling economy.

Though Haiti has attracted vast amounts of aid and disaster relief, there are few signs of tangible improvements in the lives of most of its people. Donors and the government pledged that economic aid after the 2010 earthquake would be used to "build back better," but the sad reality is that, even if donors keep their pledges, the funds needed for this task are much higher than what has been committed.

The country has suffered negative economic growth in three of the last four decades. As of early 2013, roughly three-quarters of Haitians were either unemployed or trying to make ends meet in the informal economy. Big foreign investors, worried about the political risks, are reluctant to make major commitments. The inability of poor Haitians to exploit opportunities that could lead to growth fuels a vicious circle of high unemployment, persistent poverty, aggravated inequality, and the mass emigration of skilled workers. Today, roughly 82 percent of Haitians with a college education have left the country.

Yet Haiti may be about to make a turn for the better. And the reason has a great deal to do with technology.

Haiti's long record of dysfunction has promoted the creation of a huge overseas diaspora, mostly in the United States and Canada. These emigrants are increasingly affluent, and new information technology is allowing them to play a more active role in Haiti's economy. Until recently the main contribution of overseas Haitians came in the form of remittances to family members back in the homeland. Roughly a third of the country's population depends on income from remittances, which run from $1.5 billion to $2.0 billion annually. But while money transfers certainly help, they aren't as useful as actual investment in Haitian products and services, which would not only create jobs and infrastructure, but also bring in much-needed management expertise and know-how.

Now improvements in communication technologies are causing a surge in diaspora investment in the Haitian economy. The key component is the growth of a highly creative sector of grassroots organizations in Haiti that are committed to helping the poor and eliminating poverty. The two best examples are Zafen and Fonkoze, web-based crowd-funding platforms that are helping focus investment opportunities.

Zafen provides interest-free loans to Haitian entrepreneurs who are unable to find funding from traditional banking sources. The loans are then distributed through Fonkoze, the country's largest (and phenomenally successful) microfinance institution. Between 1996 and 2011, the organization has grown from two volunteers in one location to 899 full-time staffers in 46 branches that serve 333,212 primarily rural-poor clients. With the advent of ventures like Zafen and Fonkoze, members of the successful Haitian diaspora now have a viable mechanism for sharing share their knowledge, expertise, and financial resources with promising local entrepreneurs.

One way or the other, mobilizing the diaspora is likely to be key to the future of Haiti's economy. Back in the late 1970s and 1980s, few outsiders in Europe or the United States were willing to take a chance on the first opportunities for investment in post-Mao China. Chinese leader Deng Xiaoping, understanding this only too well, specifically targeted investors in the ethnic Chinese diaspora, who understood the language, mentality, and bureaucratic culture of the mainland. Deng's government set up the first Special Economic zones directly opposite the thriving capitalist outposts of Taiwan and Hong Kong — and investment from investors there soon started flooding in.

Similar plans have long been mooted for Haiti. President Michel Martelly, who likes to proclaim that "Haiti is open for business," is trying to set up a series of integrated economic zones that use local inputs for foreign manufacturing, and make Haiti an attractive destination for foreign investment. Martelly's scheme echoes one broached over 30 years ago by then-President Jean-Claude ("Baby Doc") Duvalier. Duvalier spoke of transforming Haiti into the "Taiwan of the Caribbean," a vast factory complex where foreign firms could assemble textiles, electronics, and baseballs for the nearby U.S. market.

For a while, indeed, industry thrived, but it became obvious that the export-zone strategy was incapable of making a significant dent in the country's rate of poverty and unemployment. Coups, crumbling infrastructure, and trade embargoes by the United States and the United Nations directed against the country's military regime created unemployment at around 40 percent in 2010.

Is there any reason to be optimistic this time? The answer, fortunately, is yes. The world economy has changed dramatically since the first wave of export zones were set up in the 1970s. A conspicuous feature of globalization is the decentralization of production, which has benefited large numbers of workers in the developing world. Technological change, lower transport costs, and the resulting creation of global supply chains are shifting comparative advantage in many areas of manufacturing to Haiti's favor. Rising labor costs in China and East Asia are pushing many U.S. firms to move production from those parts of the world to new ones. This movement of manufacturing back to the United States will likely create an expanding manufacturing sector ideally supplied by nearby low-cost countries like Haiti. Complementing these developments, U.S. legislation such as the Hope Act has provided Haiti with access to the American market on very favorable terms. Leveraging the interest of investors from the Haitian diaspora — though not only them, of course — could provide the necessary catalyst.

We now also have access to a fairly long history of export zones in developing countries, enabling in-depth studies to identify why some succeeded and others failed. It turns out there are a number o

f success stories that could be easily replicated in Haiti. The idea is to focus reconstruction and aid efforts toward economic zones as a way of replacing the current haphazard system of allocating foreign aid. Haiti's new economic strategy is evolving along these lines. For what it's worth, the International Monetary Fund is projecting growth in Haiti to accelerate to 6.5 percent in 2013 from 4.5 percent in 2012.

By lifting large segments of the population out of poverty, grassroots movements such as Fonkoze and Zafen have the opportunity to empower the country's population to overcome and reform the traditional impediments posed by the national government — corruption, inefficiency, and the extractive institutions that have plagued the country for decades. Many Haitians are beginning to gain a sense of what needs to be done to make their government more efficient and accountable. They are beginning have a frame of reference for what is possible. After years of bad luck, a number of key elements are finally coming together for a prosperous new Haiti.

An earlier version of this piece reported that Haiti has been independent for 199 years. Haiti has been independent for 209 years.